

Intra-Company Communication

July 24, 1962

To: Mr. A. R. Miller
Mr. J. E. Lundy
Mr. F. G. Secrest

cc: Mr. S. N. Kuryla

Subject: Special Falcon Sports Car

The purpose of this paper is to examine the 1962 Special Falcon sports car proposal and related data.

The financial data in this paper are a combination of preliminary Ford Division and Finance Staff estimates. These data, therefore, are likely to differ from those to be shown by the Ford Division at the July 31st Product Strategy meeting. As soon as Ford Division data are available (possibly not before July 30th), we shall review these with you.

I. Basis for Introduction of the Special Falcon

The success of the Monza has indicated to the Ford Division a growing demand for a small, four-passenger, performance-oriented sports vehicle. This trend represents an effective new market segment for the American automobile industry.

In April of 1961 Ford Division introduced the Futura to compete with the Monza. As shown in the following table the Futura achieved a penetration of about 1.6% for the remainder of the 1961 model year. After the introduction of the Chevy II and Fairlane, Falcon penetration, especially Futura, dropped sharply, while total Corvair penetration declined somewhat less and Monza penetration was hardly affected. In April of 1962 the Thunderbird-type roof was added to the Futura to give it added distinctiveness, but Futura penetration was not significantly affected. Obviously, Monza is appealing to a unique market.

Registrations
Effect of Futura Introduction on Monza Sales &
Share of Industry

<u>1961</u>	<u>Futura</u>	<u>Total Falcon</u>	<u>Monza</u>	<u>Total Corvair</u>	<u>Foreign Sports Cars</u>
March	-	7.9%	2.7%	5.0%	
April	0.2%	8.2	2.8	5.3	
May	1.4	9.9	3.0	5.9	
June	1.7	9.0	3.3	6.2	
July	1.6	8.3	3.3	6.5	
August	1.7	9.3	3.1	5.3	
September	1.3	8.6	2.3	4.1	
October	1.5	9.0	3.3	5.1	

July 24, 1962

At the same time we believe:

1. The Special Falcon investment appears too high and, before we would recommend approval at this investment level, we should wish to review alternatives embodying greater interchangeability with Falcon (and reduced investment). (Introduction as a 1964½ job is not a must; a Job #1 1965 introduction may have significant advantage as a traffic builder when the 1965 Falcon and Fairlane models are moderate face-lifts.)
2. The Division's Special Falcon proposal must include detailed assumptions as to investment requirements that may be related to the 1966 Falcon/Fairlane plans. If the Special Falcon includes high interchangeability with the 1964-5 Falcon, substantial expenditures may be needed in 1966 to maintain (or change) the interchangeability pattern if the 1965 Falcon character is sharply revised.
3. The styling theme must not be "Monza-ish" -- we are not overly successful when we imitate GM; nor should the size and style of the vehicle increase and become "Thunderbird-ish" because of the substitution dangers. Our impressions are that the present styling theme is not very original (some reports are that it looks too much like the Thunderbird) and has not generated great enthusiasm among those who have already viewed the clay. We are inclined to believe that the program should not be approved until an outstanding theme is developed.
4. Finally, this will be a largely unique vehicle as Ford's entry in a special market segment. We should, therefore, devote considerable effort to introducing innovations on this vehicle that will appeal to the purchaser. For example, we might explore the possibility of making the car basically a convertible with fiberglass optional fast-back and Thunderbird roofs as well as explore innovations on the front seat arrangement (passenger side) that might enhance rear seat knee room.

C. M. Fellows
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Attachments

Prepared by:
D. L. Jordan
R. W. Kusber

Special Falcon Program
Fixed Expenditures
(000's)

	1964		1965	1966
	<u>Ford Div.</u> <u>Absorbed</u>	<u>Mfg. Div.</u> <u>Absorbed</u>	<u>Ford Div.</u> <u>Absorbed</u>	<u>Ford Div.</u> <u>Absorbed</u>
<u>Special Tools</u>				
Glass	\$ 100	\$ 112		
Trim	27	4		
H & A	656			
E & F	795			
T & C	1,501	24		
Outside Vendors	13,742			
Vendor gauges and die models	2,014			
Body Fixtures	55			
Assembly Tools	1,100			
Options and Accessories	618			
Expense tools	585			
Provision for change	1,951			
Economics	426			
Total	<u>\$23,570</u>	<u>\$ 140</u>	<u>\$ 400</u>	<u>\$ 3,700</u>
<u>Engineering</u>				
FPEO	\$ 4,100			
MSD	4,000			
H & A	200			
E & F	100			
T & C	200			
Engineering Staff	600			
Provision for change	500			
Total	<u>\$ 9,700</u>		\$ 900	\$ 1,900
<u>Styling</u>	\$ 400		\$ 75	\$ 200
<u>Launching</u>				
Preactivation A & C	600			
AAD - New model	1,003		100	700
- Project expense	2,360			
Glass & Trim	88	5		
T & C	585	15		
H & A		115		
E & F		75		
Total	<u>\$ 4,636</u>	<u>\$ 210</u>	<u>\$ 100</u>	<u>\$ 700</u>
<u>Facilities</u>				
AAD - Facilities		\$ 3,540		
- Other		200		
Trim		3		
E & F		10		
T & C		315		
Total		<u>\$ 4,068</u>	-	-
Total Expenditures	<u>(\$38,306)</u>	<u>\$4,413</u>	<u>\$ 1,475</u>	<u>\$ 6,500</u>
		<u>\$42,724</u>		

PRODUCT STRATEGY MEETING

July 31, 1962

OUTLINE

SPECIAL FALCON PROGRAM

I. INTRODUCTION (D. N. Frey)

- A. Chevrolet has opened up a new market segment with the Monza.
- B. This action is believed to be partly responsible for our relatively poor sales position.
- C. After extended study, the Ford Division has concluded the Monza requires more direct counteraction than we can provide with Falcon.
- D. We believe this can be done profitably with a compact sporty car derived from the Falcon.
- E. The Ford Division is not in a position to recommend final program approval at this time. Further work remains in the areas of styling modifications of the preferred theme, engineering package feasibility, the development of firm financial numbers, and market research. However, we anticipate that by the first week in September we will have an outstanding clay model, and will have had the opportunity to complete the market research considered necessary to substantiate our judgment.

By that time, assuming satisfactory completion of the work remaining to be done, we will recommend that production engineering work be started to protect our planned April, 1964 introduction date for this car.

- F. The purpose of the meeting today is to acquaint you with this program and to obtain your concurrence in --
 - . the program we will outline,
 - . the basic style for this car to be reviewed after the meeting,
 - . the plan to proceed toward a Product Strategy Meeting in the first week of September and a preliminary program approval at that time.

II. REVIEW OF GENERAL MOTORS/FORD MARKET COVERAGE (D. E. Petersen)

A. Review of Major Market Actions (Slide 1)

- 1. There are two specialty market areas at opposite ends of the price band in which GM and Ford are present relatively unopposed. These are the Thunderbird and Monza markets. After five years without any real competition for the Thunderbird, General Motors will enter this market with the new 1963 Buick Riviera along with a new Corvette including a fastback roof model and the more unique Pontiac Grand Prix.
- 2. It is proposed that the Company take similarly aggressive action to counter Monza.

3. At the projected volume of 100,000 units per year and assuming 50% of the volume is incremental, the average annual incremental profit would be more than 125% of the average investment. (Slide 16)

VI. PROGRAM TIMING

(Slide 17)

- A. The Ford Division proposes to introduce the car in April of 1964. This would require approval of the hardtop clay model in about one month.
- B. The Ford Division proposes that further styling development of the model proceed along with continued engineering study and market research through August. Previously approved Advanced Engineering funds will cover the engineering work through that period, and about \$ will be required for the necessary styling and market research work.

VII. CONCLUSIONS (L. A. Iacocca)

- A. The Ford Division believes the introduction of the proposed car could increase Ford Division penetration by as much as 1.0 to 1.5 points.
- B. We believe it may not be possible to attain projected FPV levels or our long range objective of 27.5% of the industry without a fully competitive line.
- C. We believe the Company needs an exciting new product of this type to stimulate new interest in the Ford Motor Company and to restore a favorable Ford image with the younger population.
- D. On balance, we believe the risks of proceeding with this program -- the investment and further complication of the line -- are substantially outweighed by the risks of not proceeding. The alternative course of action would be to permit Chevrolet to have this important market essentially to themselves.

VIII. RECOMMENDATIONS

- A. The Ford Division requests tentative concurrence in both the program and the general styling theme subject to another Product Strategy meeting during the first week of September at which time we anticipate requesting that production engineering would be started.